Mangel Stores Corporation

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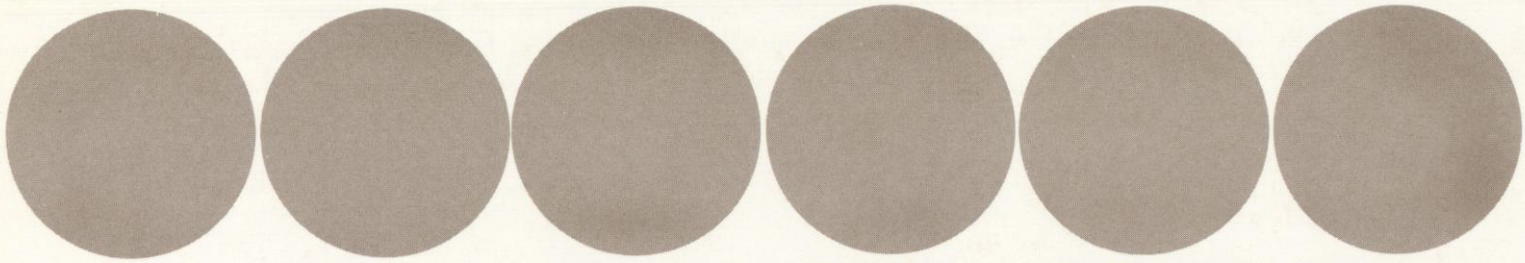
1971 Annual Report



New Mangel store opens in Dothan, Alabama (Enclosed Mall)

Shoppers Fair, Syracuse. N.Y. Completely refurbished and remodeled

New Mangel store opens in Jonesboro, Arkansas (Enclosed Mall)

Mangels, Greenville, Mississippi opens in new, larger location

Mangels

SHOPPERS fair

145 Store and Leased Department Locations

Alabama
Anniston
Birmingham
Decatur
Dothan
Florence
Huntsville (2)
Mobile (2)
Montgomery
Prichard
Selma
Tuscaloosa

Arkansas
Fort Smith
Hot Springs
Jonesboro
Little Rock
Pine Bluff (2)

Connecticut
Bridgeport
South Norwalk

Delaware
Wilmington

Florida
Jacksonville
Key West
Miami (2)
Orlando
Panama City
Pensacola (3)
Tallahassee
Tampa

Georgia
Atlanta
Augusta
Columbus
Macon
Savannah
Thomasville
Valdosta

Illinois
Danville
Kankakee
Quincy

Indiana
Columbus
Evansville
Gary
Indianapolis (2)
Lafayette
Marion
Michigan City
Muncie
South Bend

Iowa
Clinton
Des Moines

Kentucky
Paducah
Shively

Louisiana
Baton Rouge (3)
Crowley
Lafayette
New Iberia
New Orleans
Opelousas

Maryland
Randallstown
Salisbury

Michigan
Adrian
Battle Creek
Benton Harbor
Detroit (4)
Flint
Holland
Jackson
Lansing
Saginaw

Minnesota
St. Paul

Mississippi
Greenville
Jackson
Meridian
Natchez
Tupelo

Missouri
St. Louis (3)
Springfield

New Jersey
Pennsauken
New Shrewsbury
Trenton

New Mexico
Santa Fe

New York
Brooklyn
Kingston
Middletown
Newburgh (2)
Peekskill (2)
Rochester
Syracuse (2)

North Carolina
Asheville
Elizabeth City
Greensboro
Raleigh

Ohio
Canton (2)
Dayton (2)
Lancaster
Zanesville

Oklahoma
Tulsa

Pennsylvania
Chester
Clifton Heights
Horsham

South Carolina
Aiken
Charleston
Columbia
Spartanburg

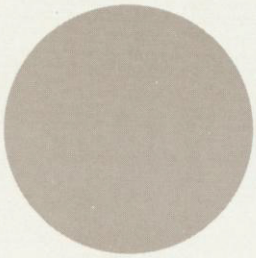
Tennessee
Chattanooga
Jackson
Johnson City
Memphis

Texas
Baytown
Beaumont
Borger
Corpus Christi
Dallas
Fort Worth
Galveston
Harlingen
Houston (2)
McAllen
Midland
San Antonio
Sherman
Texarkana

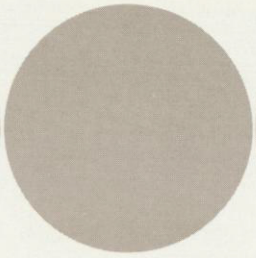
Virginia
Lynchburg

West Virginia
Charleston
Huntington

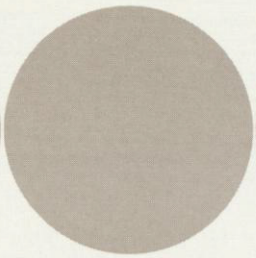
Wisconsin
Green Bay
Oshkosh



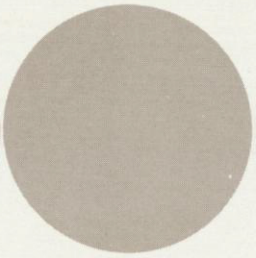
New Mangel store opens in Tupelo, Mississippi (Enclosed Mall)



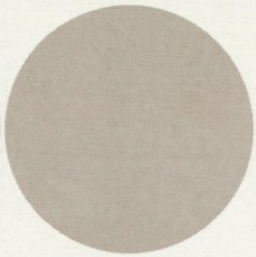
New Mangel store opens in Muncie, Indiana (Enclosed Mall)



New Mangel store opens in Sherman, Texas (Enclosed Mall)



Shoppers Fair, Indianapolis, Indiana Completely refurbished and remodeled



Shoppers Fair, Benton Harbor, Michigan enlarged and remodeled

Comparative Statistics

Income Data	1971	1970
Net Sales, Including Rental Income from Licensed Departments	$124,972,822	$129,949,954
Net Income	113,697	1,961,960
Cash Dividends	402,426	357,973
Number of Stores and Licensed Department Locations	145	147
Balance Sheet Data		
Current Assets	$ 32,575,346	$ 39,661,226
Current Liabilities	11,896,160	18,129,089
Net Working Capital	20,679,186	21,532,137
Current Ratio	2.7	2.2
Shareholders' Equity	21,932,994	22,319,949
Per Share Data		
Net Income	$ .08	$ 1.46
Cash Dividends	.30	.27
Book Value	$16.39	$16.55

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To Our Shareholders

A combination of adverse factors prevented us from reaching our objectives during 1970. This was indicated in our earlier reports.

Our sales were influenced by the general economic recession, progressively higher unemployment, and a number of severe work stoppages in other industries throughout the year. The trucking strike in the Spring prevented the orderly flow of merchandise into our stores. The General Motors strike in the Fall affected our discount stores, heavily concentrated in the Midwest. These factors, as well as rapid style changes and indecisive fashion trends, contributed to a significant degree of consumer restraint, particularly during the normally productive Christmas shopping season.

Continuing inflationary pressures in the midst of the economic recession, increased our cost of operations. Wherever possible, operating expenditures were eliminated or reduced, and gross margins were improved, but these steps were insufficient to offset the effects of declining sales.

As these trends in business unfolded throughout the year, a major emphasis was placed on effective financial management and expense control programs. This enabled us to maintain our sound financial position, in spite of the difficulties encountered during the year.

Sales and earnings

Net sales, including rental income from licensed departments, were $124,972,822 this year compared with $129,949,954 a year ago. Total store sales, which includes sales of licensed departments, amounted to $136,481,913, against $141,282,642 last year.

The closing of an unprofitable discount store during the year was a factor in the sales decline.

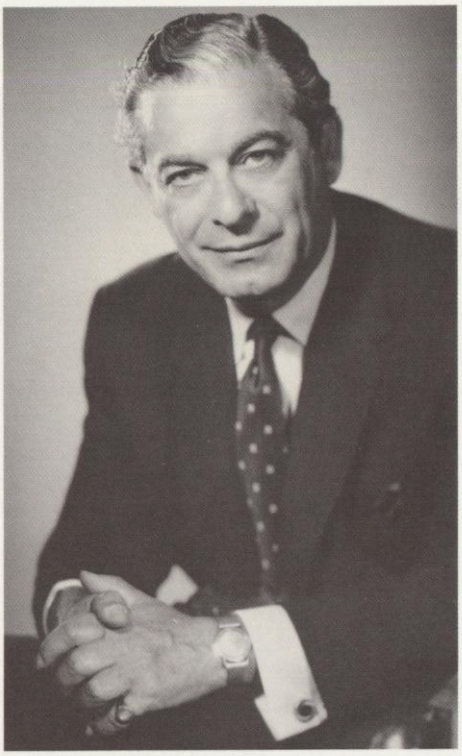
Net income including extraordinary item amounted to $113,697, or $.08 per share, compared with $1,961,960, or $1.46 per share earned last year.

Financial

As commented on above, our Company's financial condition is sound. As of January 30, 1971, net working capital amounted to $20,679,186, equivalent to $15.45 per share, and stockholders' equity was $21,932,994, or $16.39 per share. The current ratio was 2.7 to 1, the highest in over five years. Long-term debt was reduced by $617,038, to $11,095,637, as of the year-end.

Cash dividends paid in 1970 totalled $.30 per share for the year. In view of the decline in earnings during the last fiscal year, our Board of Directors, at a meeting held on April 21st, took no action relative to the declaration of a cash dividend usually paid on June 15th. We hope that improved business will permit an early resumption of cash dividends.

During the fiscal year ended January 30, 1971, we concluded a term loan agreement with a group of five banks, headed by Morgan Guaranty Trust Company of New York. Other banks participating in the loan are Chase Manhattan Bank, N.A., The Citizens & Southern National Bank, Indiana National Bank and Michigan National Bank. Pursuant to the agreement, the



Company borrowed $4,000,000 in January 1971, (used to prepay existing debt) and may, subject to certain conditions, borrow an additional $2,000,000.

As the year progressed, we initiated programs to substantially reduce our merchandise inventories commensurate with the declining trend in sales. The accomplishment of this program, combined with a tightening of credit-granting standards, resulted in important reductions in our investment in both accounts receivables and inventories.

Management

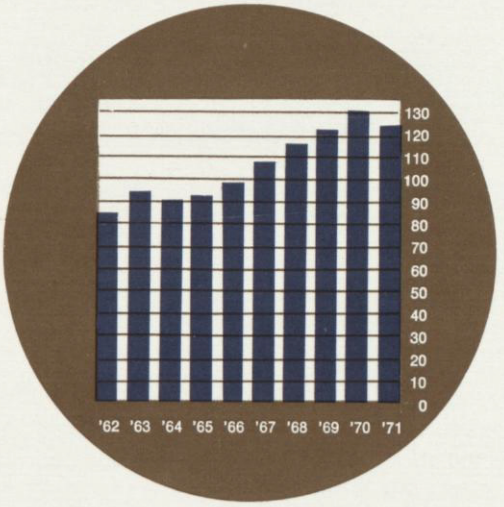
In anticipation of our planned expansion, and pursuant to our policy of recognizing meritorious service, your Board of Directors elected three new officers of the Company. They are Mr. George Powell, Vice President — General Merchandise Manager, Men's and Toys, Mr. Jerry Lapenson, Asst. Vice President—Director of Personnel and Labor Relations, and Mr. Kalman E. Wolfson, Asst. Vice President—District Manager.

Earlier in the year, Mr. Al Klein, Vice President, Treasurer, and Director, retired after a career spanning 24 years with our Company. We are most grateful for his efforts and wish him well in his retirement. He was succeeded by Mr. Ronald Curwin, Vice President—Finance and Treasurer, who joined our Company after serving as Treasurer of another retailing organization. In June, Mr. Curwin was elected a member of the Board of Directors to serve until the next annual meeting of stockholders.

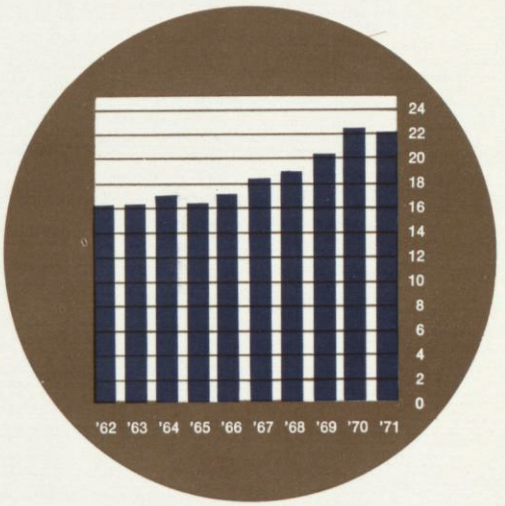
During 1970, we continued to improve our organization through recruitment of qualified personnel and by on-the-job training programs. We believe that with the resumption of a more favorable business climate our organization will be able to take full advantage of available profit opportunities.

Growth Program

Fortified by the aforementioned term loan agreement, the Company has adopted a four year expansion program which provides for the opening of new Mangel Specialty Stores, (four have already been scheduled for 1971) and Shoppers Fair discount stores. The program also provides for the refurbishment of, and improvements in, a number of stores presently in operation.



Sales
(in millions of dollars)



Shareholders' Equity
(in millions of dollars)

During the fiscal year ended January 30, 1971, we opened five new Mangel stores, each of which has been well-received in its respective community. In addition, we enlarged and modernized three stores, and completely refurbished five other stores. These improvements are a continuation of the program of up-grading our stores which we established several years ago, with gratifying results.

Five Mangel stores, and one Shoppers Fair unit, each of which was operating unprofitably, were closed in 1970.

In accordance with our policy of planned growth, we are continuing to review prospective new locations for both the conventional and discount stores, and presently have several sites for new stores under active consideration.

We wish to acknowledge the efforts of our dedicated employees, and to express our appreciation to our suppliers for their cooperation, to our customers for their loyalty, and to you our shareholders, for your continuing support.

The recent Easter sales were excellent. Although the economic outlook remains uncertain over the near term, we are confident that our sound financial condition, combined with the various positive programs we have initiated, will enable our Company to take advantage of any improvement in the economic environment and consumer confidence.

Jared L. Rosenthal
President

April 28, 1971

Ten Year Summary

Fiscal years ended (approximately) January 31

Income Data	1971	1970	1969	1968
Net Sales, Including Rental Income from Licensed Departments	$124,972,822	$129,949,954	$122,149,813	$117,451,430
Income before Federal Income Taxes and Extraordinary Items	165,697	3,066,960	2,585,948	1,345,814
Federal Income Taxes	76,000	1,223,000	986,000	436,000
Income before Extraordinary Items	89,697	1,843,960	1,599,948	909,814
Extraordinary Items	24,000	118,000	244,000	106,000
Net Income	113,697	1,961,960	1,843,948	1,015,814
Cash Dividends	402,426	357,973	334,782	321,088
Stock Dividends	——	——	1,092,511	514,605
Number of Stores and Licensed Department Locations	145	147	150	153
Balance Sheet Data				
Current Assets	$ 32,575,346	$ 39,661,226	$ 35,389,648	$ 33,937,200
Current Liabilities	11,896,160	18,129,089	15,135,345	14,664,460
Net Working Capital	20,679,186	21,532,137	20,254,303	19,272,740
Current Ratio	2.7	2.2	2.3	2.3
Accounts Receivable — Net	$ 10,750,512	$ 11,660,628	$ 8,563,634	$ 8,256,458
Merchandise Inventories	16,767,634	24,912,891	22,188,538	21,805,037
Fixed Assets — Net	12,142,074	12,100,490	12,831,168	13,801,638
Long-Term Debt	11,095,637	11,712,675	13,260,339	14,755,457
Shareholders' Equity	21,932,994	22,319,949	20,586,148	19,057,289
Per Share Data*				
Income before Extraordinary Items	$ .06	$ 1.37	$ 1.20	$ .69
Extraordinary Items	.02	.09	.19	.08
Net Income	.08	1.46	1.39	.77
Cash Dividends	.30	.27	.25	.24
Stock Dividends	——	——	6%	4%
Book Value (on adjusted shares outstanding at the end of each respective year)	$16.39	$16.55	$15.45	$14.33

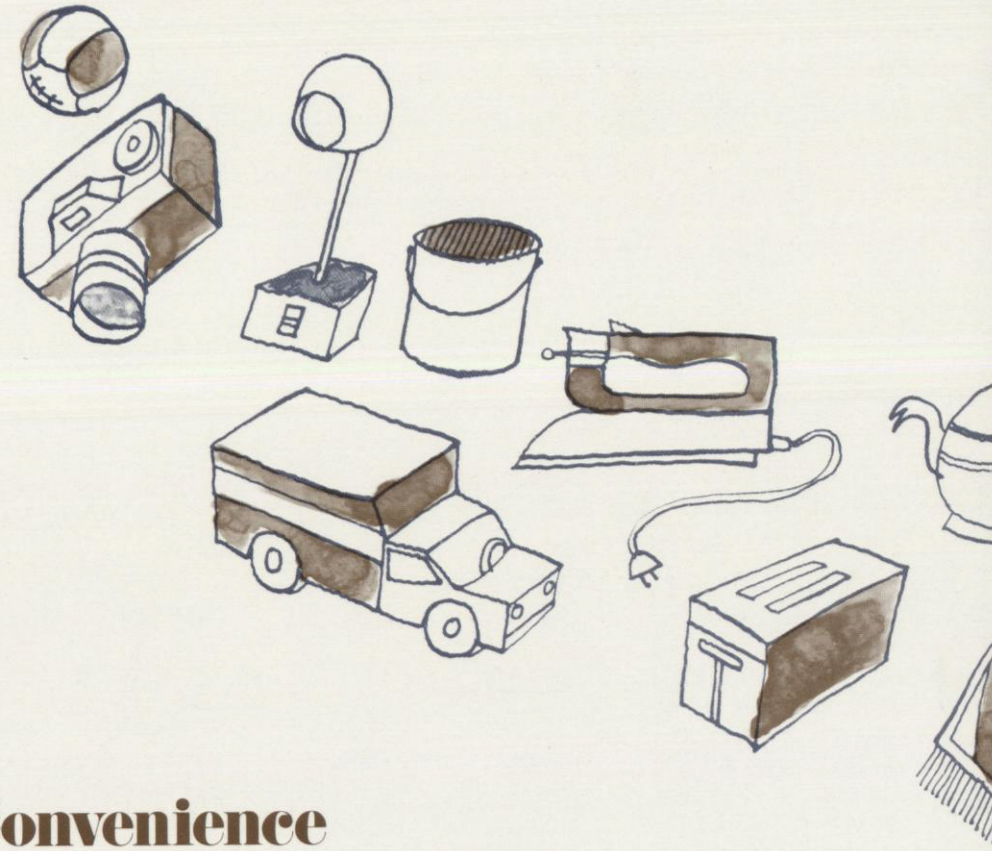
*Based on average number of shares outstanding adjusted retroactively for stock dividends and a 3 for 2 stock split distributed in December, 1969.

Mangel Stores Corporation and Subsidiaries

1967	1966	1965	1964	1963	1962
$107,572,031	$99,214,954	$92,995,050	$90,240,174	$93,907,125	$84,664,098
1,877,559	1,507,601	(9,364)	1,691,651	1,463,767	2,314,523
791,000	626,000	349,000	594,000	577,030	837,908
1,086,559	881,601	(358,364)	1,097,651	886,737	1,476,615
276,000	206,000	93,290	29,584	——	——
1,362,559	1,087,601	(265,074)	1,127,235	886,737	1,476,615
308,176	75,492	217,883	871,590	870,992	850,830
377,927	205,716	360,607	——	——	——
156	157	164	164	167	162
$ 29,338,207	$27,816,655	$22,616,333	$22,991,649	$21,496,514	$19,251,066
14,433,599	11,712,443	7,134,077	6,990,734	5,213,402	6,358,555
14,904,608	16,104,212	15,482,256	16,000,915	16,283,112	12,892,511
2.0	2.4	3.1	3.3	4.1	3.0
$ 7,485,040	$ 7,024,533	$ 5,178,013	$ 4,735,326	$ 4,212,776	$ 2,793,528
18,168,763	16,384,279	13,558,696	15,858,721	13,101,138	11,384,452
13,137,850	11,534,258	11,740,621	12,026,100	12,323,977	11,288,156
10,400,584	11,140,339	12,194,140	12,967,054	13,684,635	8,944,040
18,341,861	17,273,688	16,260,312	16,752,597	16,495,658	16,389,968
$ .82	$ .67	($.27)	$ .83	$ .67	$ 1.12
.21	.15	.07	.02	——	——
1.03	.82	(.20)	.85	.67	1.12
.23	.06	.17	.66	.66	.66
4%	2%	4%	——	——	——
$13.83	$13.05	$12.28	$12.65	$12.45	$12.41

Certain income and Federal income tax amounts shown above for the years 1964 through 1968 have been restated from amounts previously reported. Such changes are the result, generally, of retroactive application to applicable years of "special items" for the years 1965 and 1966 and the restatement of Federal income taxes to conform to the treatment now recommended by the Accounting Principles Board of the American Institute of Certified Public Accountants. Amounts prior to 1964 have not been so adjusted.

SHOPPERS Fair



Customer Convenience coupled with confidence

Our Shoppers Fair discount division, a pioneer in the industry, was conceived and developed to meet the needs of the expanding population.

For the young marrieds just starting housekeeping to the retired couple on a fixed income, Shoppers Fair serves a valuable role in the community. Quality products from famous makers priced to meet tight budgets keep customers coming back year after year.

World famous names such as Kodak, Polaroid, Spalding, Du Pont, Cannon, Fruit of the Loom, RCA, Westinghouse, Coleman, Mattel, Ideal . . . and on and on and on. Brands that mean quality. Names people know and trust. Each and every supplier carefully selected by our buyers so that our standards of quality are maintained . . . branded or unbranded.

And of course, the fashion expertise acquired over the years operating our Mangel specialty stores has given us a big edge in our discount operation. This is a market we know. And we also know that our customer is always on the lookout for new fashions even though she may be shopping for a box of Pampers for her new baby.

Fashions. Famous Brands. Quality. All attractively presented on one floor under one roof . . . spells convenience for our customers, a place where they can shop with confidence.

Mangels

Exciting things are happening in the world of fashion

That's the nature of the business, a business Mangels has been a part of for over sixty years.

Mangels, like the fashion it sells, has changed too. From the early days of select, Main Street locations in bustling downtown areas to the new, sleek, air conditioned enclosed shopping malls, Mangels changes with the times.

Keeping attuned to the pulse of the times is Mangels stock in trade. As fads and fashions appear on the horizon, alert experienced buyers work closely with capable suppliers to speed what's new to small towns like Opelousas, Louisiana, and Ft. Smith, Arkansas and sophisticated cities like Atlanta, St. Louis and Dallas.

It's our business to get there first with fashion. Fashions with quality. Fashions moderately priced. That's our business. We know it well.

Consolidated Statements of Income and Retained Earnings

Mangel Stores Corporation and Subsidiaries

For the year (52 weeks) ended January 30, 1971 — January 31, 1970

	1971	1970
Net sales, including rental income from licensed departments — Note F	$124,972,822	$129,949,954
Deduct:		
Cost of sales, including occupancy expenses	91,525,700	95,072,643
General, administrative and selling expenses, less service charges on customers' accounts	31,149,745	29,737,436
Depreciation and amortization (computed generally on straight line method)	1,653,107	1,623,424
	124,328,552	126,433,503
	644,270	3,516,451
Other deductions — net (including interest expense of $1,070,267 and $1,059,430)	478,573	449,491
Income before items shown below	165,697	3,066,960
Federal income taxes — Note D	76,000	1,223,000
Income before extraordinary item ($.06 and $1.37 per share — Note E)	89,697	1,843,960
Extraordinary item — Credits equivalent to reduction in Federal income taxes resulting primarily from use of net operating loss carryforwards ($.02 and $.09 per share)	24,000	118,000
Net income ($.08 and $1.46 per share — Note E)	113,697	1,961,960
Retained Earnings at the beginning of the year	14,968,427	13,364,440
	15,082,124	15,326,400
Cash dividends ($.30 and $.27 per share)	402,426	357,973
Retained Earnings at the end of the year — Note A	$ 14,679,698	$ 14,968,427

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Working Capital

For the year (52 weeks) ended January 30, 1971 — January 31, 1970

	1971	1970
Additions to working capital:		
Net income for the year	$ 113,697	$1,961,960
Depreciation and amortization of fixed assets (non cash item)	1,653,107	1,623,424
Proceeds from sale of stock options	1,784	129,814
Other — net	92,616	361,019
Total	1,861,204	4,076,217
Reductions of working capital:		
Cash dividends	402,426	357,973
Purchase of fixed assets — net, including in 1971, equipment leases of $538,881 capitalized	1,694,691	892,746
Reduction in long-term debt, net of, in 1971, $455,220 incurred in connection with equipment leases capitalized*	617,038	1,547,664
Total	2,714,155	2,798,383
Increase/(decrease) in working capital	($852,951)	$1,277,834

*See Note A with respect to the refinancing in January 1971 of notes payable — banks.

The accompanying notes are an integral part of these statements.

Consolidated Balance Sheets As at January 30, 1971—January 31, 1970

Assets

Current Assets:	1971	1970*
Cash	$ 3,539,419	$ 1,991,338
Short-term investments — at cost, plus amortized discount		305,116
Accounts receivable — trade, less reserves for doubtful accounts of $436,765 and $501,349	10,750,512	11,660,628
Miscellaneous receivables	1,037,510	460,833
Merchandise inventory—at the lower of cost or market, based upon the retail method of inventory valuation	16,767,634	24,912,891
Prepaid expenses	480,271	330,420
Total Current Assets	32,575,346	39,661,226
Fixed Assets — at cost — Note A:		
Land	1,325,475	1,325,475
Buildings	4,678,984	4,672,651
Furniture, fixtures, equipment and leasehold improvements	16,583,753	16,438,517
Equipment leases capitalized	538,881	
	23,127,093	22,436,643
Less: Reserves for depreciation and amortization	10,985,019	10,336,153
	12,142,074	12,100,490
Deferred Charges and Sundry Other Assets	452,961	644,151
	$45,170,381	$52,405,867

*As reclassified.

The accompanying notes are an integral part of these statements.

Notes to Financial Statements

Note A — Long-Term Debt:

Long-term debt consists of the following:

	1971	1970
Notes payable—banks, originally maturing in varying annual installments between February 1970 and 1973, with interest at ¾% above prime commercial rate; prepaid in January 1971 from the proceeds of notes payable — banks shown below		$ 4,500,000
Notes payable—banks (issued January 1971), payable in twelve varying installments between October 1974 and January 1978, with interest at ¾% above prime commercial rate..	$ 4,000,000	
5.80% Note payable—insurance company, payable in annual installments of $750,000 through January 1978	5,250,000	6,000,000
4% to 6% Mortgages payable in installments to 1984	2,362,770	2,561,322
Liability with respect to lease agreements payable in annual installments of $55,782, with interest at 2.05% above prime commercial rate	511,002	
Liability (including finance charges) for purchase of equipment, collateralized by the related equipment ..	99,640	199,281
	12,223,412	13,260,603
Less current portion	1,127,775	1,547,928
	$11,095,637	$11,712,675

In January 1971, the Company borrowed $4,000,000 under a term loan agreement under which the Company may, subject to certain conditions, borrow up to an additional $2,000,000. This agreement and the agreement relating to the note payable to an insurance company contain various restrictions relating, among

Liabilities and Shareholders' Equity

	1971	1970*
Current Liabilities:		
Current portion of long-term debt — Note A	$ 1,127,775	$ 1,547,928
Accounts payable — merchandise	8,066,841	12,514,472
Accrued expenses and sundry liabilities	2,586,898	3,007,036
Federal income taxes — Note D	114,646	1,059,653
Total Current Liabilities	11,896,160	18,129,089
Long-Term Debt, less current portion — Note A	11,095,637	11,712,675
Deferred Compensation	245,590	244,154
Total Liabilities	23,237,387	30,085,918
Shareholders' Equity — Notes A and B:		

	Shares			
	1971	1970		
Common Stock — par value $1 per share:				
Authorized	2,000,000	2,000,000		
Issued	1,366,052	1,365,852	1,366,052	1,365,852
Less: Treasury stock	27,927	16,927	27,927	16,927
Outstanding	1,338,125	1,348,925	1,338,125	1,348,925
Capital Surplus			5,915,171	6,002,597
Retained Earnings			14,679,698	14,968,427
			21,932,994	22,319,949
			$45,170,381	$52,405,867

other matters, to creation of debt, the maintenance of working capital, the purchase of fixed assets, the purchase of the Company's own stock and the payment of dividends, other than stock dividends. Payments of dividends and the purchase of the Company's own stock are limited, except under certain conditions, to a maximum of $500,000 per annum. As at January 30, 1971, approximately $85,000 was available for the payment of dividends and for purchase of the Company's own stock.

Land and buildings with a net book amount of $3,874,673 (1971) and $4,097,537 (1970), together with intercompany and other leases, are pledged as collateral for mortgages payable.

The liability with respect to lease agreements relates to certain fixed assets leased by the Company, which leases have been accounted for as installment purchases.

Note B — Shareholders' Equity:

In November 1969, the Board of Directors authorized a three-for-two stock split. Changes in Common Stock and Capital Surplus for the years ended January 31, 1970 and January 30, 1971 are summarized as follows:

	Common Stock	Capital Surplus
Balance as at February 1, 1969	$ 905,081	$6,333,554
Credits/(charges) arising from:		
Exercise of stock options	11,129	118,685
Three-for-two stock split	449,642	(449,642)
Balance as at January 31, 1970	1,365,852	6,002,597
Credits/(charges) arising from:		
Exercise of stock options	200	1,584
Acquisition of treasury stock		(89,010)
Balance as at January 30, 1971	$1,366,052	$5,915,171

The Company has a 1964 stock option plan ("1964 Plan") and a 1967 stock option plan ("1967 Plan") pursuant to which options may be granted to officers and key employees at prices which are not less than fair market prices at dates of grant. The 1964 Plan is for 36,215 shares and the 1967 Plan is for 72,514 shares of Common Stock, both after giving effect to the three-for-two stock

Notes to Financial Statements Continued

split referred to above. Under the plans, options are exercisable on a cumulative basis over a five year period after which they expire.

Changes in the status of these options for the years ended January 31, 1970 and January 30, 1971 are summarized as follows:

	1964 Plan	1967 Plan
Shares under option as at February 1, 1969	16,280	37,218
Options granted	4,000	6,500
Options terminated		(1,437)
Options exercised	(8,590)	(2,539)
	11,690	39,742
Three-for-two stock split	5,845	19,855
Shares under option as at January 31, 1970	17,535	59,597
Options granted		3,500
Options terminated	(3,585)	(5,673)
Options exercised		(200)
Shares under option as at January 30, 1971	13,950	57,224
Shares available for option as at January 30, 1971	2,570	10,577

Option prices, after adjustment for stock split, range from $7.00 to $15.83 per share.

Note C — Lease Commitments:

As at January 30, 1971, the minimum annual rentals on real property under leases then in force, exclusive of intercompany rentals, amounted to approximately $4,091,000, including approximately $31,000 applicable to four leases with lessors in which certain officers and directors have interests. Approximate aggregate minimum annual rentals are set forth below:

Leases terminating during period:	Amount
From February 1, 1971 to January 31, 1980	$1,391,000
From February 1, 1980 to January 31, 1990	2,299,000
From February 1, 1990 to April 30, 2006	401,000

Certain lease agreements provide for additional rentals based upon sales or for payment of real estate taxes, insurance, etc.

Note D — Federal Income Taxes:

The Company and its subsidiaries intend to file a consolidated Federal income tax return for the year ended January 30, 1971 and accordingly have provided for Federal income taxes on that basis. In prior years, the Company and its subsidiaries filed separate Federal income tax returns and provided for Federal income taxes on such basis.

As at January 30, 1971, the Company and certain subsidiaries have aggregate available operating loss carryforwards and investment credit carryforwards of approximately $950,000 and $228,000, respectively, which expire at various dates; however the realization thereof, directly or indirectly, as a reduction of future Federal taxable income is not determinable.

Note E — Per Share Data:

Per share data are based on the average number of shares outstanding during each year after giving retroactive effect to the three-for-two stock split referred to in Note B. Exercise of stock options would have no material dilutive effect on such per share data.

Note F — General:

Net sales do not include sales made by licensed departments in the aggregate amounts of $12,925,927 (1971) and $12,869,609 (1970).

Accountants' Report

To the Board of Directors
Mangel Stores Corporation
New York, N.Y.

We have examined the consolidated balance sheets of Mangel Stores Corporation and subsidiaries as at January 30, 1971 and January 31, 1970, and the related consolidated statements of income and retained earnings and changes in working capital for the years (52 weeks) then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the above-mentioned financial statements present fairly the consolidated financial position of Mangel Stores Corporation and subsidiaries at January 30, 1971 and January 31, 1970, and the consolidated results of their operations and changes in working capital for the years (52 weeks) then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

New York, N.Y.
April 14, 1971

S. D. Leidesdorf & Co.

Directors

Sol Mangel
Honorary Chairman of the Board of Directors

Jared L. Rosenthal
President

Ronald Curwin
Vice President & Treasurer

Israel A. Diamond
Vice President

Herbert J. Deitz
Partner, Cole & Deitz

George M. Jaffin
Counsel
Jaffin, Schneider, Conrad & Rubin

Sanford S. Jaffe
Vice President

Maurice N. Jaffe
Vice President

Emanuel Mangel
Secretary & Assistant Treasurer

Henry Hart Rice
Sr. Vice President,
James Felt & Company, Inc.

Frederick H. Schroeder
Executive Vice President—
Walston & Company, Inc.

Officers

President
Jared L. Rosenthal

Vice Presidents

Ronald Curwin
Finance, Treasurer

David M. Diamond
Assistant Secretary

Israel A. Diamond

Richard Gilbert
Director of Sales Promotion

Maurice N. Jaffe
Director of Polly Perrey Division

Sanford S. Jaffe
Director of Polly Perrey Division

Harry Maer
Director of Store Operations

Maurice Mantel
Assistant Secretary, Director of Construction and Real Estate

George Powell
General Merchandise Manager—Men's and Toys

B. Robert Rosthal
Assistant Secretary

Lawrence L. Schaen
General Merchandise Manager—Soft Lines

Ira Shain
General Merchandise Manager—Hard Lines

Secretary
Emanuel Mangel
Assistant Treasurer

Assistant Vice Presidents
Jerry Lapenson
Director of Personnel and Labor Relations

Kalman E. Wolfson
District Manager (Shoppers Fair Division)

Executive Offices
115 West 18 Street
New York, N.Y. 10011
(212) 924-9200

Counsel
Cole & Deitz, New York, N.Y.

Auditors
S. D. Leidesdorf & Co., New York, N.Y.

Transfer Agent
Morgan Guaranty Trust Company of New York,
30 West Broadway, New York, N.Y. 10015

Registrar
Manufacturers Hanover Trust Company,
4 New York Plaza, New York, N.Y. 10015

Annual Meeting
The Annual Meeting of Mangel Stores Corporation will be held on Tuesday, May 25, 1971, at 10:00 A.M. at the Plaza Hotel, Fifth Avenue at Fifty-Ninth Street, New York, N.Y.

Stock Listing
American Stock Exchange
Symbol: MGE

Mangel Stores Corporation